

## HIPAA INFORMATION SERIES

### 5. Vendor, Billing Service, Clearinghouse Readiness

#### HIPAA

#### ***A Challenge and Opportunity for the Health Care Industry***

#### INFORMATION SERIES TOPICS

1. ***HIPAA 101***
2. ***Are you a covered entity?***
3. ***Key HIPAA dates and tips for getting ready***
4. ***What electronic transactions and code sets are standardized under HIPAA?***
- ★ 5. ***Is your software vendor or billing service ready for HIPAA?***
6. ***What to expect from your health plans***
7. ***What you need to know about testing***
8. ***Trading Partner Agreements***
9. ***Final steps for compliance with Electronic Transactions and Code Sets***
10. ***Enforcement***

This paper is the fifth in a series of ten developed by the Centers for Medicare & Medicaid Services (CMS) to communicate to the health care community key concepts and requirements contained in HIPAA, the Health Insurance Portability and Accountability Act of 1996. The series focuses in particular on HIPAA's Electronic Transactions and Codes Sets Requirements and what providers need to know to prepare for them. This paper discusses the relationship between providers and their business associates and the importance of two-way communication for HIPAA compliance.

#### ***What are business associates?***

A business associate is a person or organization that performs a function or activity on behalf of a "covered entity" -- but it is not a part of the covered entity's workforce. A business associate can also be a covered entity in its own right. For example:

- Clearinghouses are business associates and also covered entities under HIPAA.
- Your software vendor is a business associate as well; however it is not considered a covered entity.

In both cases, these organizations are performing a business function on your behalf and are therefore, business associates.

#### ***Vendors, billing services, and clearinghouses***

Many providers, especially smaller ones, depend on their business associates for many claims processing functions. If your business associates process any of the HIPAA electronic transactions on your behalf, you are a covered entity under HIPAA. This requirement applies even if the provider uses a software package, Third Party Administrator (TPA), billing service, or a clearinghouse to generate the electronic transactions. As a covered entity, it is important that you find out, as soon as possible, your business associates' strategies for becoming HIPAA compliant.

#### **IMPORTANT ELECTRONIC TRANSACTIONS DEADLINES**

**April 16, 2003**  
Testing Requirement

**October 16, 2003**  
Compliance with Electronic Transactions & Code Sets

#### **IMPORTANT:**

Do you know if your software vendor or billing service is ready for HIPAA? Contact them today and find out.

**STANDARD  
TRANSACTIONS**

1. Claims or equivalent encounter information
2. Payment and remittance advice
3. Claim status inquiry and response
4. Eligibility inquiry and response
5. Referral certification and authorization inquiry and response
6. Enrollment and disenrollment in a health plan
7. Health plan premium payments
8. Coordination of benefits

*Pending approval:*

9. Claims attachments
10. First report of injury

**Code Sets**

1. Physician services/ other health services- **both HCPCS and CPT-4**
2. Medical supplies, orthotics, and DME- **HCPCS**
3. Diagnosis codes- **ICD-9-CM, Vols 1&2**
4. Inpatient hospital procedures- **ICD-9-CM, Vol 3**
5. Dental services- **Code on dental procedures and nomenclature**
6. Drugs/biologics- **NDC for retail pharmacy**

- ☐ Your business associates may use different approaches for becoming HIPAA compliant. As with all business decisions, you should carefully research your options and choose the solutions that work best for you.
  - Your existing vendor might offer an add-on module or upgraded software version that creates HIPAA compliant transactions. This would allow you to directly submit claims to payers or a clearinghouse in the HIPAA standard format.
  - A vendor might offer you a solution that requires all HIPAA transactions be performed through the vendor's clearinghouse. Under this arrangement, providers turn over all electronic transaction processing control to the vendor and usually forego the option of transmitting the transactions themselves to another clearinghouse or directly to a payer.
- ☐ Just because you are currently using a particular vendor or billing service does not necessarily mean you are required to use them to become HIPAA compliant. It may be more prudent for you to find a different vendor or billing service.

There are pros and cons for the various approaches to HIPAA compliance. Review your business contracts and contact your vendor or billing service to discuss your options. Be certain to ask what actions your current business associates are taking to ensure HIPAA compliance. The following guidelines were developed to help providers analyze their vendor, billing service, and clearinghouse HIPAA readiness.

**IMPORTANT:** It is your responsibility to know what your business partners are doing about HIPAA. Do not assume that your software vendor, clearinghouse, or TPA is prepared. Remember, HIPAA compliance requires two-way communication.

**HIPAA Readiness Guidelines**

- ☐ **Develop an inventory:**  
Make a list of all the persons or organizations that conduct HIPAA covered transactions electronically, on your behalf, or who provide software that allows you to conduct transactions electronically. This list may include software vendors, billing services, eligibility verification vendors, clearinghouses, and others. Ideally, this list would be used to track these entities' progress toward HIPAA compliance.

**TIP:** Check out your business associates' web sites. Many health plans and vendors routinely update their web sites with HIPAA related information.

**Free Information & Tools Available at the CMS Web Site**

<http://www.cms.hhs.gov/hipaa/hipaa2>

- Covered entity decision tool
- Provider readiness checklist
- HIPAA Informational papers
- CMS Outreach ListServe
- HIPAA roundtable audio conference dates
- HHS & other external HIPAA links
- Instructional CDs & videos
- HIPAA FAQs and compliance dates
- Complaint submission form

**For HIPAA Privacy inquires**

- <http://www.hhs.gov/ocr/hipaa/>

or call the Privacy hotline at :  
1-866-627-7748



**Contact your business associates:**

Contact each person or organization on your list. Ask them the following questions and document their responses.

- What is their timeframe for HIPAA compliance?
- What is their plan for becoming compliant with HIPAA transactions and code sets?
- Will they be making changes to products or services to ensure HIPAA compliance? Are there any additional costs involved?
- How do they plan to implement the changes with providers and payers?
- When will they begin testing their software? Are they aware that the testing deadline is April 16, 2003?
- Are they planning on using a certification entity to ensure software is ready for HIPAA? (See paper 7, "What do you need to know about testing?" for more information on testing and certification.)

It is important to remember that HIPAA may add, change, or eliminate data that you will need to use in standard transactions. You and your business associates should determine where "gaps" exist within your existing systems and those new elements required by HIPAA. This process is called "Gap Analysis" and is a technical systems development tool used to ensure HIPAA compliance.

**TIP:** In order to produce compliant transactions, your systems must provide the necessary data elements. This includes new data elements that may not exist in your current systems.



**Develop a process for getting information:**

Track when letters are sent or phone calls are made. Document any responses you receive. If you do not receive a response in a timely fashion, follow up and contact the individual or organization until you receive the information you need. Remember, these organizations are receiving these kinds of inquiries from all of their providers. They should be prepared to answer these basic HIPAA related questions.



**Review responses:**

Review the responses you receive and incorporate the details into your own HIPAA plans and timeframes. For example, if a software vendor indicates that HIPAA updates will be available on a specific date, you would want to set aside time for installing and testing the upgrade. This is also the time to develop some contingency plans. For instance, if a business associate indicates that it will not be HIPAA compliant until September or October, you may want to develop a contingency for how to process your claims if they are not HIPAA compliant by the October 16, 2003 deadline.

## HIPAA Deadlines

**April 14, 2003**

**Privacy  
Deadline**



**April 16, 2003**

**Testing**

You should start testing your software no later than April 16, 2003.



**October 16, 2003**

**Electronic  
Transactions  
& Code Sets  
Deadline**

**NOTE:** Medicare will require that all Medicare claims be submitted electronically, with the exception of those from small providers and under certain limited circumstances.



**April 21, 2005**

**Security  
Deadline**

(April 21, 2006 for small health plans)



### Follow up:

Communicate often with your business associates. This on-going communication is a critical factor in achieving HIPAA compliance. Follow up with your vendors and billing services to ensure they stay on schedule. Identify a contact person and establish regular calls, or status meetings. Work together to resolve any problems or issues that may impact your ability to meet HIPAA compliance deadlines.

### **FINAL REVIEW:** **Moving towards HIPAA Compliance**

If you have not been preparing for HIPAA, it is time to get started.

- ❑ Find out if HIPAA applies to you. Visit the CMS website or see paper 2 in this series, "Are you a covered entity?" for tools to help you determine if you are a covered entity under HIPAA.
- ❑ Follow the guidelines outlined in this information series. Call your health plans, payers, vendors, billing services, and clearinghouses. Ask about their HIPAA plans, their testing plans, and timeframes for HIPAA compliance.

### **FOR MORE INFORMATION ABOUT HIPAA...**

E-mail your questions to [askhipaa@cms.hhs.gov](mailto:askhipaa@cms.hhs.gov) or call our CMS HIPAA HOTLINE 1-866-282-0659

Log onto the CMS HIPAA web site: <http://www.cms.hhs.gov/hipaa/hipaa2>

Sign up for free email notification of newly published HIPAA regulations: <http://www.cms.hhs.gov/hipaa/hipaa2/regulations/lsnotify.asp>

Learn about the latest HIPAA Administrative Simplification outreach materials and events. Join the CMS HIPAA outreach listserv.

To sign up, go to: <http://www.cms.hhs.gov/hipaa/hipaa2>